

## Message Text

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70

ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 FEAE-00 /093 W

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R 291716Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0652

INFO AMEMBASSY TEHRAN

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

C O N F I D E N T I A L LONDON 06451

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJECT: IRANIAN OFFER TO BUY MINORITY INTEREST IN  
BRITISH PETROLEUM: SECSTATE VARLEY VISIT TO US

REF: A) LONDON 1592 (NOTAL); B) LONDON 1242 (NOTAL);  
C) LONDON 102 (NOTAL)

BEGIN UNCLASSIFIED

1. APRIL 26 FINANCIAL TIMES STATES IRANIAN GOVERNMENT IS BELIEVED TO HAVE APPROACHED HMG INDICATING A STRONG INTEREST IN BUYING 20.6 PERCENT BURMAH SHAREHOLDING IN BRITISH PETROLEUM (BP) NOW HELD BY BANK OF ENGLAND (BOE). ONE POSSIBLE SOLUTION, REPORTEDLY FAVORED BY SECSTATE FOR ENERGY ERIC VARLEY, WOULD BE TO ALLOW IRAN TO BUY LESS THAN 10 PERCENT OF BP'S ISSUED CAPITAL, TO INCREASE HMG STAKE TO MAJORITY SHAREHOLDING BY ABOUT 3 PERCENT TO 51 PERCENT, AND TO OFFER BALANCE OF HOLDINGS ON OPEN MARKET, PARTLY TO INCREASE EUROPEAN HOLDINGS IN BP.

2. FT NOTES THAT WHILE NO FINAL DECISION HAS BEEN MADE,  
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GOVERNMENT HAS COME UNDER INCREASED PRESSURE FROM LEFT-

WING OF LABOR PARTY TO INCREASE STATE'S DIRECT CONTROL OF BP FROM CURRENT 48.2 PERCENT TO NEARLY 70 PERCENT. AGAINST THIS, BP ITSELF, BACKED TO A CERTAIN EXTENT BY TREASURY AND BY BOE, HAS ARGUED STRONGLY THAT SUCH A MOVE COULD UPSET ITS POSITION AS AN INTERNATIONAL MAJOR ABROAD, PARTICULARLY SO FAR AS ITS US INTERESTS ARE CONCERNED.

3. FT OBSERVES THAT IN THIS SITUATION IRANIANS' STRONGLY EXPRESSED INTEREST IN BUYING INTO BP HAS COME AS SOMETHING OF AN EMBARRASSMENT FOR GOVERNMENT. ALTHOUGH MINISTERS REPORTEDLY ARE RELUCTANT TO TURN DOWN IRANIANS ALTOGETHER, AND SEE SOME ADVANTAGES IN SUCH A MOVE, THERE COULD BE STRONG POLITICAL OPPOSITION. FT REMARKS COMPROMISE SOLUTION WOULD BE UNLIKELY TO SATISFY EITHER BP OR LABOR LEFT-WING AND WOULD BE SUBJECT TO CRITICISM THAT IT WOULD STILL CHANGE FACE OF BP IN A WAY WHICH MIGHT HAVE INTERNATIONAL REPERCUSSIONS.

4. FT STATES GOVERNMENT SEEMS PREPARED TO REAFFIRM ORIGINAL ARTICLES OF ASSOCIATION GUARANTEEING BP FREEDOM TO OPERATE COMMERCIALLY SAVE FOR RIGHT OF GOVERNMENT VETO IN CASE OF NATIONAL INTEREST. REPORT NOTES THAT ISSUE OF BURMAH SHARES IN BP IS FURTHER COMPLICATED BY WHOLE QUESTION OF GOVERNMENT POLICY ON VOLUNTARY 51 PERCENT STATE PARTICIPATION IN NORTH SEA OIL FIELDS. ALTHOUGH NO DETAILED TALKS BETWEEN BP AND HMG HAVE YET TAKEN PLACE, FT REPORTS THAT SOME MINISTERS ARE KNOWN TO FEEL THAT BP SHOULD BE TACKLED FOR A QUICK SETTLEMENT TO LEAD THE WAY ON THIS ISSUE.

5. SIMILAR ARTICLE IN APRIL 28 LONDON TIMES STRESSES BP AND HMTREASURY CONCERN OVER UNFAVORABLE COMMENTS IN US ABOUT SIZE OF HMG HOLDING IN COMPANY WITH SUCH A LARGE INTEREST IN ALASKAN OIL. END UNCLASSIFIED

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6. LIVERMAN (DEPUTY SECRETARY, DEPARTMENT OF ENERGY) TELLS US NO DECISION ON EITHER TIMING OR METHOD IS IMMINENT AS REGARDS DISPOSITION OF BP SHARES. MOREOVER, THERE HAS BEEN NO SERIOUS MOVEMENT SINCE JANUARY WHEN CONFIDENTIAL

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BURMAH'S SHAREHOLDINGS IN BP WERE PURCHASED BY BOE AND IRANIANS FIRST EXPRESSED INTEREST. HE RULED OUT EARLY MOVEMENT ON BP STOCK ISSUE AND SPECIFICALLY SAID THAT COMPROMISE FORMULA OUTLINED BY FT WAS "NOT ON".

7. DURING SECSTATE VARLEY'S MAY 8 VISIT TO WASHINGTON, DEPARTMENT OR OTHER USG OFFICIALS MAY WISH TO QUERY HIM ABOUT LATEST REPORTS ON HMG DISPOSITION OF BURMAH SHARES

IN BP.

RICHARDSON

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## Message Attributes

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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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